



Department for  
Business & Trade



Fair Work  
Agency

# **Strategic steer to the Fair Work Agency for the transitional year of operation**

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## **Contents**

<b>1. Introduction</b>	<b>3</b>
<b>2. Funding and core expectations</b>	<b>5</b>
<b>3. Delivering a step change</b>	<b>6</b>
3.1 Reducing regulatory burdens	6
3.2 Intelligence and data	6
3.3 Public awareness and stakeholder engagement	6
3.4 Thought leadership	7
3.5 Preparing for 2027 and beyond	8
<b>4. Framework for measuring success</b>	<b>9</b>
<b>5. Next steps</b>	<b>10</b>

# 1. Introduction

The government has established the Fair Work Agency (FWA) to deliver a labour market where work pays, rights are respected and responsible businesses can thrive. It will drive compliance through a proportionate, risk-based, and digital-first approach that supports the many businesses that want to do the right thing, while taking robust action against serious non-compliance.

The government's Plan to Make Work Pay (MWP) is a core part of the mission to grow the economy, raise living standards across the country and create opportunities for all. A key component of this plan is the creation of the FWA through the Employment Rights Act 2025 (ERA 2025), representing a step-change reform of labour market compliance and enforcement.

The FWA is being established within a system that already delivers vital protections for workers and supports compliance across large parts of the labour market. Predecessor bodies bring deep expertise, established operational capability, and strong relationships with businesses, workers and their representatives. Many employers comply with the law and have engaged constructively with these bodies, and many workers benefit from the protections they have provided.

However, under the previous system, responsibilities were spread across multiple bodies, each with distinct remits, powers, processes, and entry points. This could make it difficult for workers to understand where to turn for help, and for employers to navigate their responsibilities confidently. It also limited the ability of the system as a whole to identify cross-cutting risks, share intelligence effectively, and take coordinated action where non-compliance is most harmful or issues span across multiple enforcement remits.

The creation of the FWA responds to this challenge. It reflects a recognition that improving labour market compliance is not solely about stronger enforcement, but about building a more coherent system that combines intelligence, prevention, and targeted intervention in a way that is easier to access, fairer to compliant employers, and more effective in tackling serious abuse.

In parallel, the Advisory, Conciliation and Arbitration Service (Acas) will continue to provide services to workers and their representatives, and employers to help prevent, manage and resolve conflict quickly. This will also include continuing to provide free, impartial advice and training on employment rights and helping to resolve workplace disputes through conciliation, mediation and arbitration.

The FWA is being established through a phased transition. From April 2026, responsibility for seeking compliance with the following legislation is brought together under the FWA:

- **agency regulations**

- **gangmasters licensing**
- **serious labour abuse, including modern slavery** (the FWA shares this function with the police and with the National Crime Agency)

These functions have been integrated under one leadership structure and are supported by a unified set of enforcement powers.

During 2026/27, **National Minimum Wage** (NMW) enforcement will continue to be delivered by HMRC under a contracting arrangement with the FWA. This ensures continuity of service while the FWA prepares for the full transfer of NMW functions in April 2027.

This Strategic Steer is published alongside the Director of Labour Market Enforcement (DLME) Concluding Statement, which reflects on the development of the labour market enforcement system to date and lessons learnt.

## 2. Funding and core expectations

In 2026/27, the FWA has a budget of £60.1m, an increase on the combined budget of £47.4m for the predecessor bodies in 2025/26. The increased budget reflects its expanded remit and the additional functions it will take on, including holiday pay enforcement. The uplift is intended to ensure the agency is properly resourced to carry out its statutory functions from day one, with clear expectations for delivering value for money.

With this funding, the government expects the FWA to:

- maintain at least the level of operational performance delivered by predecessor bodies
- meet the same performance metrics previously used across the EAS, GLAA and HMRC-NMW functions
- begin baselining, reviewing and refining these metrics to develop an integrated performance framework for 2027/28
- lay the operational, cultural and system foundations for the full transfer of NMW enforcement and broader remit expansion in 2027

However, this Strategic Steer also sets out the government's wider expectations for the transitional year. The FWA should focus on 5 priorities to deliver a step change:

- reducing regulatory burdens
- intelligence and data
- public awareness and stakeholder engagement
- thought leadership
- preparing for 2027 and beyond

## **3. Delivering a step change**

### **3.1 Reducing regulatory burdens**

The creation of the FWA provides an opportunity to move beyond structural silos and towards a unified regulatory model which reflects the wider objective of creating a clearer, more coherent enforcement system that supports economic growth and compliant businesses while tackling non-compliance effectively.

In this transitional year, the FWA should focus on:

- helping businesses to comply by starting to develop an approach that is supportive of compliant employers
- working with Acas to improve the clarity and accessibility of guidance for employers, making it easier for businesses to understand and meet their responsibilities
- exploring the use of digital tools to reduce the administrative burden on businesses
- review how gangmaster licensing and employment agency regulation functions operate and identify opportunities to reduce duplication and improve join-up

### **3.2 Intelligence and data**

The DLME Concluding Statement recognises that there have been challenges in understanding what data the predecessor enforcement bodies and their partners hold and how to access that data effectively. Therefore, a central priority for this year should be preparing the systems and processes that will underpin the FWA's future model.

The FWA needs a unified data and intelligence infrastructure that supports seamless case management and risk-led enforcement. In its first year, the FWA should therefore:

- secure real-time access to HMRC systems following transition of NMW in April 2027
- improve databases across enforcement functions to eliminate silos and improve data sharing
- strengthen its understanding of compliance trends and emerging threats across the labour market
- baseline and analyse data to understand impact and inform future prioritisation

### **3.3 Public awareness and stakeholder engagement**

Effective enforcement depends on trust, visibility and accessibility. A central priority for this year should be improving accessibility, responsiveness and raising the public profile of the FWA to increase awareness among workers and employers about how to report concerns.

No single organisation can tackle the full spectrum of labour market non-compliance on its own. The Employment Rights Act 2025 provides a robust legal framework for safe and effective information sharing. This framework enables the FWA to collaborate across

government and regulatory bodies. As such, the FWA should build partnerships that extend its reach and impact.

Building on the framework laid out in the Act, the FWA should deepen its engagement with enforcement bodies, regulators, social partners, trade unions, employer organisations, and other partners who play a critical role in supporting compliance.

As such, in its first year the FWA should:

- increase awareness of routes to enforce employment rights, working closely with Acas to ensure clarity and consistency
- create a simplified and accessible digital “front door” for workers and employers
- improve digital channels, triage tools and complaint routing
- ensure every complaint is assessed and responded to transparently
- consider how to improve feedback to third parties sharing intelligence
- improve reach into the hardest to access parts of the labour market, including vulnerable and at-risk workers
- increase visibility of enforcement outcomes, through transparent publishing of data on outcomes and impacts
- bring together social partners, trade unions, employer organisations and civil society, to share operational insight and lived experience

### **3.4 Thought leadership**

The FWA has a unique opportunity to bring together established enforcement bodies, provide a simpler and more coherent experience for the public and build a modern agency that can drive up compliance, protect workers and support businesses across the UK. However, the FWA should not merely administer inherited functions. It should act as a steward of the labour market enforcement system and a catalyst for system wide improvement and innovation.

Thought leadership is built into the design of the FWA. The organisation will be advised by a tripartite social partnership board, with equal representation from employers, trade unions, and civil society. Beyond this, in this transitional year the FWA should focus on bringing together partner regulators, civil society, business representatives, trade unions and academics to build a shared understanding of labour market risks and to shape bold and practical proposals to strengthen enforcement, promote best practice, share learning and contribute to informed public debate about labour market standards.

This includes:

- assessing the effectiveness of different enforcement approaches
- identifying where legislative, operational or strategic changes may be required
- informing future remit expansion of the FWA

### **3.5 Preparing for 2027 and beyond**

While this transitional year focuses on enhanced business as usual, it must also prepare the FWA for full integration and expanded remit. From April 2027, the National Minimum Wage unit in HMRC will transfer into the FWA core, and the FWA will gradually take on additional responsibilities.

Therefore, the FWA should:

- work in close partnership with HMRC throughout the transition period to ensure a smooth and secure transfer of functions and capability, maintaining continuity of enforcement and public confidence
- invest in workforce development, developing a shared sense of purpose, values and professional identity, supporting leadership capability, and creating opportunities for staff to collaborate, work, and develop across former organisational boundaries
- develop a joint operating model for Acas and the FWA to maximise opportunities for innovation, cooperation, and operating efficiencies
- consider how the full range of powers available can be deployed effectively, including the effective use of civil proceedings and other powers under the Employment Rights Act 2025, including in relation to serious labour exploitation and relevant offences under the Fraud Act 2006
- prepare to commence holiday pay enforcement in 2027 and set out a clear plan to extend enforcement to other rights

## 4. Framework for measuring success

In this transitional year, to ensure accountability and delivery against its aims, the government will hold the FWA to the same core metrics as its predecessor bodies. This will ensure continuity of performance expectations while the new FWA embeds.

However, the FWA should also continuously review its enforcement and compliance activity, monitoring overall performance by building on current practices and identifying areas for improvement. As part of this, the FWA should develop an integrated performance framework for 2027/28. The FWA's performance architecture should include data collection and baselining, regular monitoring, reporting, evaluation, and research. The FWA should develop clear metrics, accountability and governance to demonstrate its impact across the following themes:

- access and awareness
- support workers and improve outcomes
- promote compliance and deter non-compliance
- target proportionate interventions
- operate efficiently
- build organisation capability

## 5. Next steps

The government expects the FWA to respond formally to this Strategic Steer through its 'Transitional Year Delivery Plan' shortly.

This year arrangements reflects the transitional nature of the FWA's first year. It is designed to provide clarity of direction while the FWA establishes its governance, leadership and operational footing.

The FWA should also prepare to publish in April 2027 the first Statutory Enforcement Strategy under the Employment Rights Act 2025 and should prepare to publish its first Statutory Enforcement Annual Report as soon as possible after the end of the 2027/28 financial year. This should set out how the FWA has delivered against the priorities in the first Statutory Enforcement Strategy.



## Department for Business & Trade

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### Department for Business and Trade

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